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Practical conservation through certified forestry

Forest Management **2006 Annual audit** Report for:

Alberta-Pacific Forest
Industries Inc.
in
Alberta, Canada
(North of Lac La Biche and Athabasca)

Certificate Code: SW-FM/CoC-1626

Audit Dates: Sept 18-Sept 21, 2006

Report Finalized: Dec 6, 2006

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Standard Conversions

Delete if all only metric units are used

1 acre = 0.405 hectares

1 foot = 0.3048 Meters

1 mile = 1.60934 Kilometers

1 mbf = 5.1 m³

1 cord = 2.55 m³

1 Gallon (US) = 3.78541 Liters

1. AUDIT PROCESS

1.1. Auditors and qualifications:

- Keith Moore – Keith is a registered professional forester and has an MA in Geography. He has been working in forestland management and environmental assessment in Canada and other countries since 1976. He led the development of the independent forest audit program for BC’s Forest Practices Board from 1995-2000. Since 2000, he has been team member or team leader on eighteen other SmartWood assessments, annual audits and pre-condition verification audits in Canada, Russia and Australia. He coordinated or participated in the field-testing of four FSC regional standards and has assist with the development of national FSC standards in Kenya and Montenegro. He was team leader for the Al-Pac assessment in 2004/2005. (KM)
- Chris Wedeles – Chris is a wildlife biologist specializing in the relationship between forest management and wildlife ecology. Chris has been a professional consultant since 1986 and for the last ten years has been a partner in ArborVitae Environmental Services Ltd. In his consulting career Chris has worked on forest-related projects in every province in Canada. Chris has led or participated in approximately 35 audits and assessments of the management of tenured forest areas in Canada. Other recent relevant experience includes: being a technical writer in the development of the FSC National Boreal Standard (NBS), participating in a project to assess the wood-supply and ecological effects of the NBS, co-authoring comprehensive technical reports dealing with effects of forest management on songbirds, old growth management, and effects of roads in managed forests in Canada. Chris is currently working on a document related to the ecological effects of boreal forest fragmentation. (CW)

1.2. Audit schedule

This first annual audit was conducted on the first anniversary of the certificate.

Date	Location /main sites	Main activities
Sept 11-15	Auditors offices	Review of documents, scheduling of interviews, preparation of materials. (KM and CW)
Sept 17	Travel	Travel to Edmonton. (KM and CW)
Sept 18	Edmonton	Phone interview with ASRD staff and meeting with ENGO reps. (KM and CW)
Sept 19	Al-Pac offices Boyle	Opening meeting. Interviews with Al-Pac staff and review of documents. (KM

		and CW)
Sept 20	Near Lac la Biche and Touchwood Lake within FMA	Field observations of structural retention in recent cutblocks, riparian areas, stream crossings, road conditions. (KM and CW)
Sept 21	Al-Pac offices at Boyle	Interviews with Al-Pac staff. Exit meeting. Travel to Edmonton. Interview with ENGO representative. Start working on report. (KM and CW)
October 9-13	Auditors office	Writing audit report. (CW)
October 16-19	Auditors office	Writing audit report and send draft to Al-Pac. (KM)
October 20- November 10	Al-Pac office	Al-Pac review of draft report
November 10 - 13	Auditors office	Final editing to respond to Al-Pac comments and submit final version.
Total number of person-days used for the audit: 14 person-days		

1.3. Sampling methodology:

The team spent one day in the field in this annual audit. This reflects the fact that only one Corrective Action Request (CAR, previously called Condition) required field observation. That was CAR 6.3, related to retention of residual stand structure). Considerable time and expense is required to visit any significant number of field sites on this 5.7 million hectare FMA. This expenditure was not warranted to verify compliance with the other 9 CARs, or to address most of the Notes from the Auditors. More field-work and consultation with community groups and interested parties will be required to address the CARs due to be met by the next annual audit.

FMU or Site audited	Rationale for selection
Al-Pac block 6810-4, near Touchwood Lake, FMU L-1	In-block clump and dispersed structural retention, islands and peninsular retention within and on edge of block, road reclamation, reserve along ephemeral stream.
Al-Pac block 6810-4, near Touchwood Lake, FMU L-1	Corridor logging and protection of understory conifer, merch conifer and deciduous in strips between corridors. Mixed wood forest management.
Piche Road	Large culvert crossing on main haul road. Sediment traps and rock installation adjacent to, and within stream.
Al-Pac Block 7111-4	Two temporary bridges and several culverts with silt traps and other sediment control measures on ephemeral streams on new haul road.
Al-Pac Block 7111-4	Corridor logging and protection of understory

	conifer, merch conifer and deciduous in strips between corridors in 2006 logging block. Mixed wood forest management. Reclamation of minor rutting in block.
Al-Pac Block 7111-4	In-block clump and dispersed structural retention in 2006 logging block.
Al-Pac Block 71114	Road construction and sediment control measures on wet site and culvert crossings of ephemeral streams in same location.

1.4. Stakeholder consultation process

The audit focused on interviews with Al-Pac staff and review of documents. The team interviewed three representatives of environmental NGOs, interviewed or had e-mail contact with two staff of the Alberta Sustainable Resource Development, and interviewed one Al-Pac staff person seconded to ASRD.

Stakeholder type (NGO, government, local inhabitant etc.)	Number of stakeholders informed	Number of stakeholders consulted or providing input
NGO	4	3
Government	3	2

1.5. Changes to Standards

The standard used for this annual audit was the Forest Stewardship Council (FSC) Canada Working Group National Boreal Standard (NBS, Version 3, November 2004). The FSC Board accredited the National Boreal Standard in August 2004.

This is the same standard used in the assessment in 2004. No changes have occurred.

2. AUDIT FINDINGS AND RESULTS

2.1. Changes in the forest management of the FMO

There are no changes to the land area under Al-Pac's control within the Forest Management Area (FMA). Al-Pac's practices in the field remain the same as at the time of the assessment. Representatives of ASRD reported Al-Pac's performance and compliance records are consistent with past years.

The most significant change since the assessment is the approval of a new Forest Management Plan (2004) in January 2006. This plan was reviewed during the assessment and found to meet Principle 7, but was not approved at that time. The approval from ASRD comes with a number of conditions but none significantly

change or affect the management strategies and operating practices in the field that were assessed in 2004. Some of the conditions imposed by ASRD (for example with regard to caribou management strategies and public consultation) are consistent with CARs imposed in the assessment report. The ASRD decision approves an increased AAC of both coniferous and deciduous species retroactive to May 2005.

Since the award of the certificate in September 2005, Al-Pac has been active in marketing its certified pulp. It has assisted Millar-Western and Ed Bobocel Lumber to achieve chain of custody certification for conifer logs coming from Al-Pac's conifer quota on the FMA. Al-Pac is presently receiving chips from Saskatchewan and may benefit from a future certification of Mistik Forest Management, an adjacent forest tenure in Saskatchewan, which was undergoing FSC assessment in September, 2006.

There have been numerous personnel changes both at forest management and senior management levels in Al-Pac since the assessment. Some of these are related to the competition from the energy industry and significantly higher wages paid in that sector.

Overall, there are no fundamental changes in Al-Pac's operation since the certificate was awarded.

2.2. Stakeholder issues

Environmental interests report generally positive interactions with Al-Pac in the past year. They are generally aware of Al-Pac's initiatives related to the establishment of protected areas, the gap analysis of protected area representation, and expansion of the ILM program. They continue to support Al-Pac's certificate.

However, while acknowledging Al-Pac's efforts, they also express concerns about the continuing expansion of the energy industry on the FMA and the continuing growth of cumulative impacts associated with the growing footprint of the energy and forest sectors in this forest. In their view, these provide a challenge to certification. Presently, there is an increasing level of activity and clearing of forest for roads, industrial camps, powerlines, well sites and pipelines in an area on the east side of the FMA known as SAGD Alley. There are now approximately 2 million hectares within the FMA covered by leases for SAGD (steam assisted gravity drainage) development of sub-surface oil sands, and these have the potential to affect an area 50 times larger than the surface mineable oil sands area north of Fort McMurray, which has been removed from the certificate. Two ENGOs have recently produced a report examining the potential impacts of this development¹.

¹ Schneider, R and S. Dyer. 2006. Death by a Thousand Cuts – Impacts of In Situ Oil Sands Development on Alberta's Boreal Forest. Canadian Parks and Wilderness Society and the Pembina Institute, August 2006.

More consultation with First Nations and community and interest groups will take place to audit the CARs due to be met in the next annual audit.

2.3. Compliance with applicable corrective actions

This section presents audit findings and a description of the current status of conformance with a total of 10 Conditions to be met “By the end of Year 1 of Certification”.

These 10 Year 1 Conditions were issued at the date of certification on September 12, 2005 and are set out in the Final SmartWood Certification Assessment Report (Forest Management Public Summary for Alberta Pacific Forest Industries, Inc., September 2005) posted on the SmartWood website (www.smartwood.org) and the Al-Pac website (www.alpac.ca).

Al-Pac’s activities to address each of the 10 Year 1 Conditions are described in the section below. Conditions are now referred to as Corrective Action Requests (CARs) and that terminology is used throughout this annual audit. For each CAR, a finding is presented along with the current status of the CAR. The following classification, required by FSC and SmartWood, is used to indicate the status of each Year 1 reviewed in this audit:

CAR Status Categories	Explanation
Closed	Certified operation has successfully met the CAR and addressed the underlying nonconformance.
Open	Certified operation has <u>not met</u> the CAR; underlying non-conformance is still present. The CAR normally becomes a Major CAR with a 3-month deadline for conformance. Longer timelines may be given in exceptional circumstances.

In addition, the team reviewed 12 Notes for Future Annual Audits recorded in the 2005 Assessment Report. The teams’ response to these Notes is also briefly described below.

Apart from general discussions with Al-Pac regarding progress to meet the Year 2 CARs, the team did not review the Year 2 CARs.

YEAR 1 CONDITIONS (10 audited in 2006 annual audit)

CAR #: 2.1b	Reference Standard #: 2.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: There are extensive activities related to oil and gas exploration and development in the FMA. The “conventional” oil and gas development involves cutting of trees for seismic lines and access during exploration, and then clearing of larger areas of land for well sites, tank farms, camps, pipelines and other facilities and construction of roads. The existing footprint of these activities is significant and has cumulative impacts on the land. Al-Pac is very active in an Integrated Landscape Management Program but needs to expand the Integrated Landscape Management Planning program to fully meet Indicator 2.1.1, as explained by the “Intent Box”.
Corrective Action Request: By the end of Year 1 of certification, Al-Pac shall continue to engage energy companies and the government to increase awareness and adoption of Integrated Landscape Management principles and shall:	
<ol style="list-style-type: none"> 1. Develop a strategy to annually increase the percentage of oil and gas operations (excluding low impact seismic lines) that are within the integrated land management planning program; and, 2. Establish a target that, by the end of Year 5 of certification, will have significantly increased the percentage of oil and gas operations (excluding low impact seismic lines) in the certified area of the FMA that are within an integrated land management planning program. 	
Timeline for Compliance: Year 1.	

<p>Audit findings:</p> <p>Al-Pac presented evidence in the form of e-mails, meeting notes, powerpoint presentations, and journal articles to demonstrate that they have been very active in increasing awareness of the importance of the ILM program and encouraging government and energy companies to increase participation in these programs. Al-Pac has seconded a staff person – their Integrated Land Management Specialist – to work for Alberta Sustainable Resource Development (ASRD) in their ILM department for a two-year period. This followed the approval of an Integrated Land Management Project Charter, led by ASRD, in 2005 and reflects ASRD’s increased commitment to ILM compared to the time of the assessment.</p> <p>In his role, seconded to ASRD, the Al-Pac staff person has been very active in working with energy companies to make the ILM program real on the ground through joint planning to reduce the impact of seismic lines, well sites, roads, camps and other infrastructure. He has also been active in making presentations, meeting with energy companies, and writing journal articles to increase awareness². Other Al-Pac staff continue to work with energy companies at the operational levels to co-ordinate energy sector and forestry activities related to roads, harvesting and deactivation of sites, and to minimize the footprint of both.</p> <p>The expanding activities of the energy sector represent extensive disturbances on the FMA and the cumulative impacts are still of concern. However, the audit team considered Al-Pac’s efforts to co-ordinate activities with the energy companies to reduce the impacts through the ILM program to be effective and significant. As noted in CAR 6.4b below, Al-Pac has also devoted significant work to obtain the support of energy sector companies in Al-Pac’s attempts to establish protected areas to represent ecological benchmark areas. This is considered to be part of their commitment to ILM.</p> <p>The team concluded that, through these efforts, Al-Pac does have a strategy to annually increase the percentage of oil and gas operations that are within the ILM program. The strategy appears to be</p>
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² See for example, Pope, D. 2006. A Forest Industry Perspective on Seismic Lines in the Forest. In The Source – The Voice of Business in the Canadian Seismic Industry, 9th edition, winter 2006. See also Kryzanowski, T. 2006. Forging Links with the Energy Sector. In “Logging and Sawmilling Journal, April 2006.

effective as there is more extensive involvement of energy companies and government in the ILM program than at the time of the assessment.

Al-Pac has established a target of having 75% of the development on the FMA within an ILM planning program by the end of Year 5 of certification. This will include master agreements covering most forestry and oil and gas related development activities on the FMA. This meets the requirement of the CAR.

The CAR is met and is closed. However, the team notes that increased implementation of the ILM program is still very important in minimizing the impacts of an expanding energy sector in the certified land area of the FMA. The success of the ILM program should be monitored in future annual audits.

Status: Met and closed.

Follow-up Action:

Note for Future Annual Audit (Note 1/06): Future annual audits should continue to monitor the implementation of the integrated land management program to meet the target of 75% by the end of Year 5.

CAR #: 2.1c	Reference Standard #: 2.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: Al-Pac has legal tenure to the land area and overall management responsibility, but does not fully meet Indicator 2.1.1 which requires that it also have a legal right to utilize the forest resources originating from that land area that it seeks to certify. Al-Pac has a legal right to utilize 100% of the deciduous forest resources that come from the area but only approximately 45% of the coniferous resources. Additionally, because Al-Pac does not have the legal rights to utilize the portion of the coniferous timber allocated to the quota and permit holders, Al-Pac does not control the operational planning or management of the logging operations in a significant portion of the coniferous forest types on the FMA.
Corrective Action Request:	
By the end of Year 1 of certification, Al-Pac shall seek the participation and support of Quota Holders, energy companies and government to increase the certified area and the volume of certified forest resources within the FMA that is FSC certified. The results of these efforts shall be documented.	
Timeline for Compliance: Year 1.	

Audit findings:

Al-Pac has taken a cautious approach to meeting this CAR. This reflects Al-Pac's view that the Quota Holders and small companies who have rights to cut and use forest resources from the Al-Pac FMA will reach their own corporate decisions about whether to pursue FSC forest management certification or chain of custody certification. Al-Pac is providing wood that comes from an FSC certified forest to those companies' sawmills and Al-Pac's FSC certificate provides them with an opportunity to manufacture and sell FSC certified wood products and chips. Al-Pac believes this provides a significant incentive to move towards FSC but Al-Pac has no opportunity to directly influence them to do so. Thus to meet this CAR, Al-Pac is presenting information about FSC and is assisting companies who wish to pursue chain of custody to take advantage of this situation. They believe that these companies might ultimately change their forest practices and move to meet FSC requirements once they see the benefits.

In the first year of the certificate, Al-Pac made several presentations to companies, the Alberta government, and public interest groups to present them with the reasons Al-Pac sought FSC and the

benefits they receive. They hope this information will ultimately expand FSC within Alberta. Al-Pac also assisted chain of custody assessments for one large sawmill (Millar-Western) and one small sawmill (Ed Bobocell Lumber). These companies can now market conifer that they receive from Al-Pac's operations on the FMA as FSC certified. Al-Pac has also sought to connect these producers with buyers of FSC products, like Home Depot.

To date, none of the quota holders has sought to pursue FSC certification for the conifer forest types that they log within the Al-Pac FMA, and only Millar-Western has pursued chain of custody. This partly reflects corporate decisions in these companies and a preference for other certification systems. It may also reflect the lack of a market-place demand for FSC lumber in Northern Alberta and other markets these companies sell to.

Despite the lack of an increase in area or volume of FSC certified forest in the FMA, the team concluded that Al-Pac has met the requirement of the CAR to "seek participation and support" and has done so in a reasonable and potentially effective way. Thus, the CAR is met and closed. The efforts to expand the certified area and volume should be monitored in future annual audits.

Status: Met and closed.

Follow-up Action:

Note for Future Annual Audits (Note 2/06): Future annual audits should continue to monitor Al-Pac's efforts to encourage Quota Holders to meet FSC requirements and increase the volume of certified products coming from the FMA.

CAR #: 5.6b	Reference Standard #: 5.6.4
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: Al-Pac does not monitor compliance with Annual operation plan cut control numbers for each quota holder. This is the responsibility of the Alberta Sustainable Resource Development. Al-Pac needs to be in a position to provide assurance that the deciduous and coniferous volume of forest resources being removed is sustainable.
Corrective Action Request: By the end of Year 1 of certification, Al-Pac shall begin monitoring and reporting actual harvest rates compared to planned harvest rates and approved annual allowable cuts for all deciduous and coniferous forest resources in the FMA.	
Timeline for Compliance: Year 1.	

Audit findings:

Al-Pac is required to monitor and report the volume of deciduous species that is cut on the FMA and delivered to its pulp mill. The actual deciduous volume harvested annually is reported in tables in the General Development Plan that is submitted to ASRD every year. The tables in the 2006 GDP compare the actual harvest of deciduous species with the deciduous AAC that is approved in the Forest Management Plan for each of the 11 FMUs within the FMA.

At the time of the assessment in 2004, Al-Pac did not track the harvest of conifer species (since the conifer is delivered to the quota holders mills) and thus, was unable to compare the actual volume of conifer harvested with the approved AACs for the conifer species in the FMUs. To meet the requirements of the CAR, Al-Pac obtained information from ASRD about the actual harvest of coniferous species from each of the 11 FMUs. This information is maintained in the ASRD Timber Production Revenue System (TPRS). Al-Pac prepared a table comparing the actual conifer harvest in the 2005/2006 operating year to the approved conifer AACs in each of the 11 FMUs.

Al-Pac then provided the audit team with tables that compare the actual harvest of conifer and deciduous species on the FMA with the approved AAC's, using these two sources of information. This meets the requirement of the CAR. Al-Pac needs to continue to track and report this information in this way in order to ensure that it meets the requirements of Criterion 5.6 and this should be monitored in future annual audits.

Status: Met and closed.

Follow-up Action:

Note for future annual audits (Note 3/06): Future annual audits should review the actual harvest of both conifer and deciduous species from the FMA.

CAR #: 6.1	Reference Standard #: 6.1.5 and 6.1.6
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: There is no single summary document that characterizes the pre-industrial forest condition and includes the information required by Indicator 6.1.5. Reports presented by Al-Pac have not been peer reviewed, as required by Indicator 6.1.6 and one report is marked "Draft-Not for Circulation".
Corrective Action Request:	
By the end of Year 1 of certification, Al-Pac shall:	
<ol style="list-style-type: none"> 1. Complete a report which provides a characterization of the pre-industrial forest condition and addresses all the requirements of Indicator 6.1.5 and provides information relevant to deciduous and coniferous forest types; and, 2. Make the report available for peer and public review. 	
Timeline for Compliance: Year 1.	

Audit findings:

Al-Pac prepared a PIC report³ and submitted it to the audit team prior to the audit. The team concluded that the PIC report meets the requirements of Indicator 6.1.5. Because much of the forest has not been subjected to industrial activity, there are considerable areas that are still essentially in a pre-industrial condition. The audit team found that Al-Pac's analytical approach to "removing" the industrial footprint from the existing forest to estimate the pre-industrial condition on the whole forest was particularly impressive.

To address the second part of the CAR, Al-Pac obtained a peer-review of the PIC report from a qualified and credible reviewer. The review identified some ways in which the report could be improved by addressing specific aspects of the pre-industrial condition. Al-Pac provided the audit team with a written response describing how it intends to address the peer review comments.

Al-Pac provided the report to Alberta ENGO's for review, and told the audit team that it will post the report on its web site. Al-Pac should do this and Observation 1/06 is recorded later under CAR 7.4.

Status: Met and closed.

Follow-up Action: See Observation 1/06 under CAR 7.4.

³ Smith, M.L., and D'Eon, R.G. 2006. Pre-Industrial Forest Condition Report for The Alberta-Pacific Forest Industries Inc. Forest Management Agreement Area. Alberta-Pacific Forest Industries Inc., Boyle, AB

CAR #: 6.2	Reference Standard #: 6.2.3 and 6.2.4.
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: The available strategies to manage caribou are not adequate to demonstrate that Al-Pac has management strategies in place to protect a species at risk – caribou – that is sensitive to disturbance and declining in population. Al-Pac did not provide any monitoring program specifically directed to monitoring the combined impacts of forest harvesting and oil and gas development, and associated road development on caribou.
Corrective Action Request: By the end of Year 1 of certification, Al-Pac shall: <ol style="list-style-type: none"> 1. Develop and implement specific and measurable management strategies to demonstrate a precautionary approach to protection of woodland caribou; and, 2. Develop a monitoring program that will assess the effectiveness of these management strategies. 	
Timeline for Compliance: Year 1.	

<p>Audit findings:</p> <p>Al-Pac provided the audit team with a copy of its caribou conservation strategy⁴. This document identifies the key elements of the company’s strategies to protect caribou on the FMA. The document identifies planning, operational, and monitoring aspects of the company’s strategy. Important elements of the strategy include:</p> <ul style="list-style-type: none"> • Aligning harvest in key caribou habitat to coincide with planned energy sector expansions; • The use of an aggregated harvest approach; • Removing areas of “good” caribou habitat and “fair” timber production potential sites from the company’s timber supply; • Lobbying stakeholders (primarily the energy industry), and the provincial government to establish legislated protected areas within the FMA; • Using an “early in/early out” approach to conducting harvesting operations to minimize the amount of time that operations occur in caribou habitat; • Minimizing the amount and strategically planning the distribution of road required to access timber in or near caribou habitat through engagement of ILM and aggregated harvest strategies; and, • Rapid decommissioning of temporary roads in or near caribou habitat. <p>The monitoring approach used by Al-Pac will continue to rely upon collaboration with the Alberta Caribou Committee, which has been conducting intensive monitoring on the Forest for some time. The approach is identified in the document provided to the audit team by Al-Pac and, in a broader context, in the province’s caribou recovery plan⁵.</p> <p>The caribou conservation strategy document meets the requirement of the CAR for management strategies and a monitoring strategy, and reflects management strategies that Al-Pac can implement. The audit team notes that the continued industrialization of much of Al-Pac’s FMA through on-going expansion of the oil and gas industry does not bode well for the continued existence of caribou on the FMA. The audit team is concerned that even as Al-Pac implements measures to operate on the forest in a way that is sensitive to the habitat requirements of caribou, these efforts may be overwhelmed by the development and expansion of the oil and gas industry, to the detriment of caribou. If caribou populations continue to decline on the forest, future audits and assessments will be faced with the difficult task of deciding whether the forest can be FSC certified, if a vulnerable species at risk is declining due to impacts on the forest from industrial development that is beyond the control of the</p>

⁴ Alberta Pacific Forest Industries Inc. 2006. Al-Pac’s Caribou Conservation Strategy. August 2006.

⁵ Alberta Woodland Caribou Recovery Team. 2005. Alberta woodland caribou recovery plan 2004/05-2013/14. Alberta Sustainable Resource Development, Fish and Wildlife Division, Alberta Species at Risk Recovery Plan No. 4. Edmonton, AB.

forest manager.
Status: Met and closed.
Follow-up Action: None.

CAR #: 6.3	Reference Standard #: 6.3.10
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: Quota holders only retain 1 % merchantable conifer and 5 % merchantable deciduous on the coniferous land base. Al-Pac believes that an average of 5% in-block structure on all FMA area conifer and deciduous cutblocks is a minimum requirement for the adoption of aggregated planning within the NDS approach for all operators. Al-Pac does not adequately track retention of residual structure and cannot demonstrate that the indicator requirements are met.
Corrective Action Request: By the end of Year 1 of certification, Al-Pac shall: <ol style="list-style-type: none"> 1. Implement a tracking and analysis procedure for quantifying the residual stand structure that meets the requirement of NBS Indicator 6.3.10; and, 2. Demonstrate that Al-Pac meets the target of 10-50% retention by area consistent with NBS requirements. 	
Timeline for Compliance: Year 1	

Audit findings: Al-Pac provided the audit team with a document identifying its stand structure monitoring and analysis approach ⁶ . Al-Pac also demonstrated its approach to the quantitative assessment of residual structure to the audit team. The residual structure of approximately half of the company’s operating blocks are assessed annually using an approach which involves human interpretation of remotely-sensed data. These data are supplemented by field-gathered information for a small proportion of harvest blocks which serve as field-checks of the interpreted data. The results of the analyses indicated that the company is meeting the requirements of Indicator 6.3.10. In addition to the reviewing the analytical evidence provided by the company, the audit team inspected several sites which were harvested recently (see Section 1.3) to examine retention in the field. The audit team found that all the sites inspected had sufficient retention to meet the requirements of Indicator 6.3.10.	
Status: Met and closed.	
Follow-up Action: None.	

CAR #: 6.4a	Reference Standard #: 6.4
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: There are two divergent views on what is adequate representation to meet Criterion 6.4 and what is the relative responsibility of Al-Pac. The document recording these divergent views has been prepared by relatively few people, has primarily been a confidential document and is still “draft”. An independent review and analysis on the question of adequate representation is warranted.

⁶ Alberta Pacific Forest Industries Inc. 2006. Stand Structure and Landscape Structure. Definition , Monitoring and Analysis. March 10, 2006.

Corrective Action Request:
 By the end of Year 1 of certification, Al-Pac shall obtain an independent review of the draft Gap Analysis and the relative effectiveness of the options laid out within the document for achieving effective ecosystem representation, with a specific focus on addressing the effectiveness of representation for ecosystems found within the Athabasca and Clearwater river valleys.
 Timeline for Compliance: Year 1.

Audit findings:
 Al-Pac commissioned an independent review of the draft Gap Analysis protected areas within the FMA presented during the assessment in 2004, as required by the CAR. They provided the review document⁷ to the audit team. The audit team found the review to be thorough and well considered. The draft Gap Analysis had presented two alternative options. The independent review concluded that “the ENGO alternative is generally more consistent with the guidelines and desired outcomes of FSC certification.” The company indicated to the audit team that it is currently reviewing the report. Based on the conclusions of the review, the company is now obligated to meet the conditions of CAR 6.4c which states:
 “By the end of Year 2 of certification, if the results of the independent review of the Gap Analysis show ineffective representation, based on further consultation with stakeholders (e.g. NGOs, other quota holders and government), Al-Pac shall develop a strategy to achieve more effective ecosystem representation within the FMA.”
 The review meets the requirements of this CAR but, based on its conclusion, CAR 6.4c will now need to be assessed in the 2007 annual audit.
Status: Met and closed.
Follow-up Action: None. Based on the results of the review of the Gap Analysis completed to meet this CAR, CAR 6.4c will be included in the 2007 annual audit.

CAR #: 6.4b	Reference Standard #: 6.4.7
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: Al-Pac is working to move deferral sites to full protection, and is actively lobbying for protection of these sites and currently meets Indicator 6.4.7. However, Al-Pac needs to continue to actively seek to complete the formal legal protection for the Gypsy-Gordon, Athabasca Rapids and Lakeland sites proposed in the first option in order to continue to meet the indicator.

Corrective Action Request:
 By the end of Year 1 of certification, Al-Pac shall document progress in terms of permanent protection of ecological benchmark areas within the Al-Pac FMA area. Al-Pac shall have worked with the provincial government, First Nations, the forest and energy industries and ENGO’s to achieve the protection of the Gypsy-Gordon, Athabasca Rapids and Lakeland deferral areas.
 Timeline for Compliance: Year 1

Audit findings:
 Al-Pac provided the team with much evidence and information documenting the considerable efforts they have made since the assessment to secure permanent protection for the ecological benchmark areas in the Gypsy Gordon, Athabasca Rapids and the Lakeland areas. The company has been very active to advance the protection of these deferral areas. Their efforts have resulted in letters of support from

⁷ Conservation Biology Institute. 2006. Al-Pac FMA – Adequacy of Proposed Protected Areas to Meet Requirements for FSC Certification. August 2006.

several large companies and influential organizations in the energy sector. AI-Pac told the team that they have met with First Nations and Metis communities and have obtained their support. In addition, AI-Pac has met with very senior levels in the Alberta government and the energy sector. The government has not made any decisions about the formal protection of these areas but their agreement to meet with AI-Pac to discuss protection of these areas is significant and the team concluded considerable progress had been made to move these areas to formal protection. The current political leadership changes in Alberta appear to have delayed any decisions for at least several months.

AI-Pac has not actively sought support from the ENGOs in its meetings with government and others, but the ENGOs are aware of these initiatives. They did not wish to participate with AI-Pac in these meetings. AI-Pac has kept the ENGOs informed about the gap analysis undertaken to meet the CAR 6.4a.

The work in the last year meets this CAR and it is closed. However, on-going work by AI-Pac is required to achieve the formal protection of benchmark areas by the government. The recent gap analysis may require AI-Pac to re-evaluate the benchmark areas and its' strategy to obtain their protection.

Status: Met and closed.

Follow-up Action:

Note for future annual audits (Note 4/06): Future annual audits should determine if AI-Pac is continuing to work towards the full protection of benchmark areas.

CAR #: 6.6	Reference Standard #: 6.6
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: AI-Pac cannot quantify the type of chemicals or the frequency of use by the quota holders. Based on the FMA tenure, AI-Pac is not responsible for knowledge about chemical use or for monitoring compliance with requirements for chemical use. However, since AI-Pac is seeking certification for the FMA, it is necessary that it provide assurance that the Criterion 6.6 requirements to avoid prohibited chemicals and reduce overall use are being met on the FMA.
Corrective Action Request: By the end of Year 1 of certification, AI-Pac shall:	
<ol style="list-style-type: none"> 1. Monitor and report on the type, extent and frequency of use of chemicals by quota holders in forestry and roadside weed control programs and establish a baseline for assessing future trends in on-going use; 2. Establish a target and initiate programs with quota holders to reduce the use of chemicals used in forestry and roadside weed control programs on the FMA over the life of the certificate; 3. Ensure that there is no use of prohibited chemicals; and, 4. Work with quota holders to meet these requirements. 	
Timeline for Compliance: Year 1	

Audit findings:

At the time of the annual audit, AI-Pac had not compiled information about the past or current actual use of chemicals on the FMA. Thus, to date AI-Pac is not in a position to report the type, extent and frequency of use of chemicals on the FMA as required by the CAR. They also have not begun the process of establishing a baseline level of use on the FMA, or to establish a target for reduction. The audit team believes that it is very unlikely that prohibited chemicals are used on the FMA, but AI-Pac

does not have information that would provide assurance that there is no use of prohibited chemicals.

Following the assessment, Al-Pac did write to quota holders and requested them to advise Al-Pac about their chemical use. They also received notification from at least some of the quota holders about their planned programs for herbicide use in 2006. However, they did not actually obtain or compile information about actual herbicide use on the FMA. Al-Pac has also initiated a process to make changes to silvicultural requirements on the FMA to allow for some regeneration of deciduous species within coniferous blocks and believes this may reduce chemical use in future. They will need to work with quota holders to achieve this. However, to date there has not been any actual interaction with the quota holders to reduce their use of chemicals in forestry (both site preparation and conifer release) activities and roadside weed control.

Despite the preliminary work by Al-Pac related to chemical use, none of the requirements of the CAR have been met. Thus, it becomes a MAJOR CAR. In normal circumstances, SmartWood and FSC guidance (see page 7) require that a MAJOR CAR must be met within 3 months. However, the team recognizes that the information about the actual use of chemicals in a calendar year is not normally determined until after the field season, so a 3 month time frame is impractical. In this exceptional circumstance, the Major CAR can be extended to 6 months. The team recognizes that there is significant work to compile this information and to work with the quota holders to establish a baseline reflecting the current use of chemicals for forestry and roadside purposes on the FMA, and to work with them to develop programs to reduce the use compared to that baseline over the life of the certificate.

Status: Not met and open.

Follow-up Action: CAR 6.6 becomes Major CAR 1/06 to be completed within 6 months of the completion of this audit report.

MAJOR CAR 1/06: Within 6 months, Al-Pac shall:

1. **Monitor and report on the type, extent and frequency of use of chemicals by quota holders in forestry and roadside weed control programs and establish a baseline for assessing future trends in on-going use;**
2. **Establish a target and initiate programs with quota holders to reduce the use of chemicals used in forestry and roadside weed control programs on the FMA over the life of the certificate;**
3. **Ensure that there is no use of prohibited chemicals; and,**
4. **Work with quota holders to meet these requirements.**

CAR #: 7.4	Reference Standard #: 7.4, 8.5 and 9.1.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: At the time of the assessment, the text of the 2004 FMP was not posted on Al-Pac's website and there was no Executive Summary provided with the report. Thus there is no publicly available summary of the important elements of the 2004 forest management plan. Similarly there is no public summary report that describes the results of Al-Pac's extensive research and monitoring programs and there are no summaries of Al-Pac's reports on High Conservation Values.
Corrective Action Request: By the end of Year 1 of certification, Al-Pac shall prepare and make widely available a summary of the important elements of its 2004 forest management plan, including a summary of the results of Al-Pac's monitoring programs and a statement about High Conservation Values on the FMA.	
Timeline for Compliance: Year 1.	

Audit findings: Al-Pac provided the team with a document showing that it planned to prepare its own summary of the FMP, a summary of the HCVF status, and a summary of its monitoring programs by the end of September 2006. The full FMP contains an Executive Summary. This summary, is available at the Al-Pac office and on the Al-Pac website (www.alpac.ca). The full report is also available at the Al-Pac office. The website provides a link to the ASRD site where the full report, including the Executive Summary, can be downloaded. Subsequent to the audit, Al-Pac completed the revised summary of the FMP and posted in on the website.

The High Conservation Value Forest Summary report is posted on the Al-Pac website and both the report and related maps are available for downloading.

The Executive Summary in the FMP contains a short section on “adapting to change” and provides a very brief reference to the Alberta Biodiversity Monitoring Program. A web link to that site is provided as well.

The public availability of these reports meets the requirement of the CAR. However, the team understood that it was Al-Pac’s intention to prepare a summary document providing the public with a good overview of the important elements of the 2004 FMP as well as the monitoring program and the HCVF process. This would be an excellent document to post under the Forest Stewardship Council Certification page on its website. Earlier, the team notes that the PIC report prepared to meet CAR 6.1 should also be posted at this location on the website. Observation 1/06 is recorded.

Status: Met and closed.

Follow-up Action:

Observation 1/06: Al-Pac should place its important FSC certification-related documents, (such as the PIC analysis, monitoring reports, a summary of the HCVF reports and summary of the FMP) in a single location on its website related to its’ FSC certification.

NOTES FOR FUTURE ANNUAL AUDITS (from September 2005 assessment report)

A total of 12 Notes for Future Annual Audits were recorded in the September 2005 assessment report. The response of the 2006 annual audit team to these Notes is reported below.

Note for future annual audits (Note 3.0): The audit team should consider contacting representatives of the communities in and surrounding the FMA who were not interviewed during this assessment.

2006 Team response: Contact with community representatives should occur as part of the next annual audit in 2007 when CARs related to P3 and P4, related to community consultation are due to be audited. No contacts were made during this 2006 audit.

Note for future annual audits (Note 5.2): The audit team should monitor the status of Al-Pac’s feasibility studies on the paper mill, including interviews with the authors of those studies.

2006 Team response: The feasibility study was done again in 2005 as required by the FMA agreement. There is no change in feasibility from past years.

Note for future annual audits (Note 5.3): The audit team should review the implementation and implications of stumpside processing in active and previously harvested blocks.

2006 Team response: There has been no increase in the use of stumpside processing since the assessment. It is used in very few Al-Pac logging sites and only is specific conditions. No further action is required.

Note for future annual audits (Note 5.6a): The audit team should monitor actual annual cuts of both conifer and deciduous species for Al-Pac and Quota Holder to confirm that they do not significantly exceed AAC.

2006 Team response: The team reviewed the actual cuts for the 2005/2006 year for both conifer and deciduous. They were significantly less than the approved AAC.

Note for future annual audits (Note 5.6b): The audit team should re-assess this Criterion if the AAC determination that eventually is approved by ASRD results in a significant change from the AAC submission reviewed by the team for the Al-Pac FMA.

2006 Team response – The FMP was approved in January 2006. The increase in the AAC that was approved by ASRD is consistent with information provided to the team during the assessment and included in the assessment report. A re-assessment of Criterion 5.6 is not required.

Note for future annual audits (Note 6.3a): The audit team should review the current distribution of forest types on the landscape to determine if the requirements of Indicator 6.3.4 that under-represented communities is being at least maintained.

2006 Team response: Indicator 6.3.4 states that “Forest units and communities that are significantly under-represented relative to the pre-industrial composition (as per analysis from 6.1.5.) are being increased in abundance over the longer term. In the near term, at a minimum, their abundance is being maintained with the intent to increase it over the longer term.” The draft PIC analysis provided by Al-Pac during the 2004 assessment provided information on the pre-industrial distribution of forest communities, but did not provide a comparison with the present forest. (The audit team notes that this is not a stated requirement of the PIC analysis as identified in Indicator 6.1.5, and so does not fault the company for the absence of this information.) Subsequent to the 2004 assessment, Al-Pac undertook a supplementary analysis specifically intended to address the requirement of indicator 6.3.4 and (and therefore, also to address the requirement of this Note for future annual audits). Al-Pac gave this analysis to the 2006 annual audit team. The analysis showed that there has been relatively little change in the forest communities defined by the AVI, since the pre-industrial forest condition existed on the FMA. Almost all communities changed less than 2% in relative abundance, over the forest as a whole. Some communities varied more on a unit-by-unit basis, but the audit team believes that no changes were large enough to warrant concern or Corrective Action Requests.

Note for future annual audits (Note 6.3b): The team suggests that the first annual audit following certification should review the status and outcome of the Richardson Backcountry and Fort McKay – Moose Lake Access Management processes and plans.

2006 Team response: The Fort McKay-Moose Lake Access Management Planning process is still underway, and has expanded in scope from road access to recreational considerations and broader ILM considerations. A draft report has been completed and is being reviewed by government. Al-Pac staff have been involved in the plan.

Note for future annual audits (Note 6.3c): The team should ensure that riparian buffers adjacent to intermittent and ephemeral streams and around lakes and wetlands are visited during future audits.

2006 Team response: The team did visit a riparian buffer adjacent to an ephemeral stream and viewed several culverts and stream protection measures on several streams. The buffers and stream crossings met the FSC standards requirements. The Operating Ground Rules for these areas did not change as a result of the approval of the FMP.

Note for future annual audits (Note 6.5): The first annual audits following certification should be scheduled during snow-free conditions to better observe the operational implementation of OGRs.

2006 Team response: The field work in this annual audit was conducted in snow-free conditions.

Note for future annual audits (Note 6.6a): The team should determine the progress of the committees for pest, insect, disease, and weeds towards integrated management programs that encourage avoidance of chemicals.

2006 Team response: This was not addressed in the 2006 annual audit. It should be reviewed as part of the evaluation of Major CAR 1/06 in the next annual audit.

Note for future annual audits (Note 6.6b): The team should verify that Al-Pac has a program to promote alternatives to chemicals on the FMA.

2006 Team response: Al-Pac does not use chemicals in forest operations on the FMA and does have programs to promote use of alternatives on roadside weed control programs on its operating areas. It has not yet begun to work with quota holders or the energy sector to promote alternatives to their use of chemicals. This should be reviewed as part of the evaluation of Major CAR 1/06 in the next annual audit.

Note for future annual audits (Note 7.1): The audit team should review the approval of the 2004 Forest Management Plan and assess the implications of any changes made to the FMP and the OGRs on annual allowable cuts, riparian buffers, residual retention or any other matters, through the approval process.

2006 Team response: The team reviewed the FMP Approval Decision document from ASRD. The most significant change is the increase in AAC of both deciduous and conifer species that was approved. As required by Condition 5.6, Al-Pac is now comparing the actual harvest to approved AAC so any material changes in AAC resulting from the decision can be tracked. There are no changes to the OGRs, and no changes to practices are anticipated as a result of the approval of the FMP.

Note for Future Annual Audits (Note 10.0): The team recommends that Principle 10 should be assessed in full if Objective 10 of the FMP – intensive conifer management – evolves into the implementation phase.

2006 Team response: There has been no activity to implement intensive conifer management as identified in Objective 10. Al-Pac staff report that this is very unlikely to occur. There is no need to assess Principle 10.

2.4. New corrective actions issued as a result of this audit

Major CAR# 1/06:	Reference Standard #: 6.6
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Description of non-compliance: Al-Pac has not made any progress to meet the requirements of CAR 6.6. Thus, it is unable to establish a baseline for chemical use on the FMA, upon which to establish for reduction of use as required by the Criterion. In addition, it is unable to provide assurance that no prohibited chemicals are being used on the FMA. It has not yet worked with quota holders to reduce chemical use on the FMA.
Corrective Action Request: Al-Pac shall:	
<ol style="list-style-type: none"> 1. Monitor and report on the type, extent and frequency of use of chemicals by quota holders in forestry and roadside weed control programs and establish a baseline for assessing future trends in on-going use; 2. Establish a target and initiate programs with quota holders to reduce the use of chemicals used in forestry and roadside weed control programs on the FMA over the life of the certificate; 3. Ensure that there is no use of prohibited chemicals; and, 4. Work with quota holders to meet these requirements. 	
Timeline for Compliance: Within 6 months after completion of this annual audit report.	

2.5. Audit observations

Observation	Reference Std #
Observation 1/06: Al-Pac should place its important FSC certification-related documents, (such as the PIC analysis, monitoring reports, a summary of the HCVF reports and summary of the FMP) in a single location on its website related to its' FSC certification.	6.1.6 7.4.1 8.5.1 9.1.3

2.6. Notes for Future Annual Audits

Note 1/06: Future annual audits should continue to monitor the implementation of the integrated land management program to meet the target of 75% by the end of Year 5.

Note 2/06: Future annual audits should continue to monitor Al-Pac's efforts to encourage Quota Holders to meet FSC requirements and increase the volume of certified products coming from the FMA.

Note 3/06: Future annual audits should review the actual harvest of both conifer and deciduous species from the FMA.

Note 4/06: Future annual audits should determine if Al-Pac is continuing to work towards the permanent protection of benchmark areas.

2.7. Audit decision

The audit team has found that Al-Pac has maintained certifiable performance and adequately addressed Conditions. A total of 10 Year One conditions were audited. Nine were closed. Thirteen Notes for Future Annual Audits were reviewed. One MAJOR CARs is identified.

The team recommends that Al-Pac's FMA should remain certified.